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POSTAL RATE COMMISSION  
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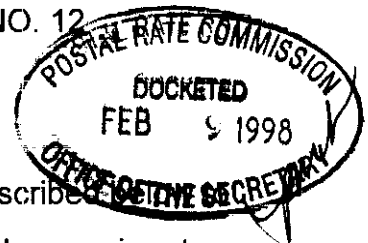
POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes

Docket No. R97-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 12

(February 9, 1998)



The Postal Service is requested to provide the information described below to assist in developing a record for the consideration of its request for changes in rates and fees. In order to facilitate inclusion of the requested material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers at our hearings. The answers are to be provided within 14 days.

1. Please provide the FY 1997 audited revenues and costs by account in the same format as in USPS LR H-9. Also please show all audit adjustments and reallocations for FY 1997.

For the reallocations, please show all computations and formulae used and cite to any external data sources (e.g., National Payroll Hours Summary reports, etc.). If the external data sources have not been provided, either as part of this docket or as part of the Commission's data reporting rules, please provide those data sources.

2. In Docket No. MC96-3 and in this filing, Docket No. R97-1, the Postal Service has changed the nonvolume workload cost effect for rural carriers. In prior dockets where the CRA/Roll-Forward model has been employed, all three components of Rural Carriers (Evaluated Routes, Other Routes, and Equipment Maintenance Allowance) have received a nonvolume workload cost effect. In MC96-3 and R97-1, the

nonvolume workload cost effect has not been applied to the Other Routes component of Rural Carriers (Component No. 70).

Please explain why the Other Routes component of Rural Carriers no longer receives a nonvolume workload effect.

3. Refer to USPS-T-33, Exhibit USPS-33R, page 1 of 8, footnote 4. Please provide the source of the following projected nonpostal volumes for GFY 1998.

<u>Service</u>	<u>Pieces in Thousands</u>
Overnight	1,272,986
Second & Third Day	663,705
Ground Market	4,432,726

These figures are used by witness Sharkey to calculate the volume from nonpostal sources that the Postal Service expects to migrate to Priority Mail due to the introduction of delivery confirmation service.

4. Refer to LR H-209, spreadsheet T32\_wpi, sheet E, cell K5. Please provide all data and calculations used to derive the .319212 additional ounce factor.

5. Refer to USPS-T-32, Workpaper III, footnote 1. Please provide specific citations and any necessary calculations for the letter (79.48%)/card(20.52%) split.

6. Refer to LR H-180, Table A. Please provide volume and number of permit holders for the intervals 200,000-299,000; 300,000-399,000; 400,000-499,000; 500,000-599,000; and, 600,000 and above.

7. USPS Library Reference H-10 at 8-9 describes the expected workhour savings from the Integrated Mail Handling System (IMHS). This description notes that mailhandlers workhours were expected to decrease by 3.186 million hours in FY 1997. Additionally, maintenance workhours were expected to increase by .225 million hours.

USPS Library Reference H-12 at 93 shows the same workhour changes for the IMHS program and includes these changes in the calculation of the total segment 3 cost reductions and segment 11 other programs dollar amounts for FY 1997 shown at 77-78 and 82-84.

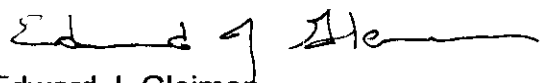
Witness Patelunas in his testimony, USPS-T-15, at Appendix A describes the process where the cost reductions and other programs information from LR H-12 are used in distributing the cost reductions programs for segment 3 clerks & mailhandlers. He uses a modification of a table from USPS LR H-12, Chapter V, Section a, which shows the workhour changes for each of the individual programs and adds columns showing the new mail processing variabilities and the distribution keys used to distribute the cost reductions to the classes, subclasses, and special services in the roll forward (columns 2 and 3). Also added are columns 13-14, and 20 which show the distribution of the total cost savings or cost increases (line 11 in columns 13-14, & 20) by type of operational program. This distribution to operational programs is based on a ratio of the estimate of workhour savings (or increases) by program (columns 7, 8, 16, & 17) to the total workhour savings (or increases), adjusted for the mail processing variabilities in column 3. These cost reduction amounts by operational program are then distributed to the classes, subclasses, and special services by the distribution keys in the cost roll forward model.

It is apparent from the table at page 6 in USPS-T-15, Appendix A, that while the IMHS program has workhour savings associated with it, there is no associated cost reduction in segment 3. Additionally, no distribution key component or mail processing volume variability is associated with the IMHS program.

What is the reason for the exclusion of the IMHS cost reduction from the segment 3 cost reductions program as shown in USPS-T-15, Appendix A? If the exclusion is an oversight, please provide the distribution key and the mail processing variability factor associated with the IMHS cost reduction. Also, please provide corrected tables for pages 6-7 and 10 of USPS-T-15, Appendix A.

8. Please revise the before-rates volume tables in Supplemental Exhibit USPS-6A (Tr. 13/6871) and the "BEFORE" file in LR H-295 to reflect the revised volume forecasts used by witness O'Hara in his response to POIR No. 9, Item 4.

9. Refer to witness Needham's responses to POIR No. 8, Items 2.a and 2.b. These responses identify the source of Special Handling volume and revenue as being the billing determinants, but they do not explain the method used to develop the actual numbers. Please describe the method used to develop the Special Handling volume and revenue in billing determinants.

  
Edward J. Gleiman  
Presiding Officer